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La Chapelle

新疆拉夏貝爾服飾股份有限公司 Xinjiang La Chapelle Fashion Co., Ltd. (IN REORGANISATION)

(formerly known as “Shanghai La Chapelle Fashion Co., Ltd.
(上海拉夏貝爾服飾股份有限公司)”))

(a joint stock company incorporated in the People’s Republic of China with limited liability)
(Stock code: 06116)

ANNOUNCEMENT IN RELATION TO THE PROVISION FOR ASSET IMPAIRMENT

This announcement is made by Xinjiang La Chapelle Fashion Co., Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2) and Rule 13.10B of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The Company convened the fifth meeting of the fifth session of the board of directors and the fourth meeting of the fifth session of the supervisory committee on 29 April 2024, at which a resolution in relation to the provision for asset impairment* (《關於計提資產減值準備的議案》) was considered and approved, details of which are as follows:

I. SUMMARY OF THE PROVISION FOR ASSET IMPAIRMENT

In order to objectively and accurately reflect the asset impairment and financial position of the Company, the Company reviewed and conducted impairment tests in respect of inventories, accounts receivable, other receivables, other current assets and long-term equity investment that were showing indications of asset impairment for the year ended 31 December 2023 in accordance with the provisions of the “Accounting Standards for Business Enterprises”* (《企業會計準則》) and the accounting policies of the Company. Upon testing by the Company and auditing by the Company’s auditor, the Company made a provision of approximately RMB66.803 million in aggregate for asset impairment for the year ended 31 December 2023. The details are as follows:

No.	Types of Provision for Asset Impairment	Amount (RMB’0000)
1	Accounts receivable	4,365.2
2	Other receivables	234.4
3	Inventories	867.8
4	Other current assets	676.0
5	Long term equity investment	345.9
6	Construction in progress	191.0
Total		6,680.3

II. DESCRIPTION OF PROVISION FOR ASSET IMPAIRMENT

(a) Provision for bad debts of accounts receivable

As at 31 December 2023, the Company's balance of accounts receivable was RMB1,580.379 million. The Company's policy for the provision for bad debts is as follows: When there is objective evidence that the Company will be unable to recover its accounts receivable in accordance with the original terms of the accounts receivable, the Company will make provision for bad debts for such accounts receivable separately. On the balance sheet date, the Company conducted impairment tests on each of the accounts receivable of individually significant amounts separately, and made provision for bad debts based on the lifetime expected credit loss. For the accounts receivable which are classified into combinations, the Company considered its experience of historical credit loss, the current situation and its forecast of the future economic condition in compiling a table which compares the number of overdue days of the accounts receivable against the rate of the expected credit loss of the duration of the accounts receivable to calculate the expected credit loss. Taking into account the test results, the Company made a RMB43.652 million provision for bad debts of accounts receivable for the reporting period.

(b) Provision for bad debts of other receivables

As at 31 December 2023, the balance of other receivables of the Company was RMB847.769 million, mainly including current accounts receivable, deposits and deposits receivable from customers. For other receivables which are classified into combinations, the Company considered its experience of historical credit loss, the current situation and its forecast of the future economic condition to calculate the expected credit loss with reference to default risk and the expected credit loss in the next 12 months or lifetime expected credit loss. Taking into account the test results, the total provision for bad debts of other receivables amounted to RMB2.344 million for the reporting period.

(c) Provision for impairment of inventories

As at 31 December 2023, the balance of the book value of inventories of the Company amounted to RMB101.585 million, including finished goods inventory, raw materials and low-value consumables. The provision for the decline in the value of inventories of the Company was determined at the excess value of the inventory cost of the inventories over their net realisable value. The net realisable value of the inventories was determined based on the estimated selling price in the ordinary course of business, less the estimated selling expenses and related taxes and levies. The provision for inventories was made in respect of each of the categories for finished goods inventory, and was calculated according to a certain estimated percentage of inventory procurement costs and increases with the aging of the inventories. Based on the principle of prudence, the Company conducted an impairment test on the categories of inventories in which the inventory costs were higher than their net realisable values during the reporting period. Taking into account the test results, the provision for the decline in the value of inventories amounted to RMB8.678 million for the reporting period.

(d) Provision for impairment of other current assets

During the reporting period, the Company made provision for impairment of other current assets of RMB6.760 million, mainly due to the withholding credits of value-added tax of Nuoxing (Shanghai) Clothing Co., Ltd.* (諾杏(上海)服飾有限公司), a former wholly-owned subsidiary of the Company. As the above-mentioned company has entered into bankruptcy liquidation procedures and was no longer included into the consolidated financial statements of the Company, and as the withholding credits of the above-mentioned company is not able to deduct value-added tax, a full provision for impairment has been made.

(e) Provision for impairment of long-term equity investment

(1) Tibet Baoxin Equity Investment Partnership (Limited Partnership) (“**Baoxin Fund**”) is an associate of the Company, and the Company adopts the equity method to account for its equity. As some investment projects of Baoxin Fund recorded losses in during the reporting period, the recoverable amount of this long-term equity investment was lower than the book value, and therefore the Company made an impairment provision of RMB1.134 million based on the proportion of the equity owned by the Company.

(2) Beijing Ao’ni Trade Co. (“**Beijing Aoni**”) is an associate of the Company, and the Company adopts the equity method to account for its equity. Due to the poor business performance of Beijing Aoni, it recorded continuous losses, and the Company estimates that the recoverable amount of this long-term equity investment is zero. Therefore, the Company made an impairment provision for the book balance of RMB2.325 million.

(f) Provision for impairment of construction in progress

As at 31 December 2023, the book value of the Company’s construction in progress was RMB89.804 million, which mainly represented a project on a Tianjin logistics center. The Company appointed China Alliance Appraisal (Shanghai) Co., Ltd.* (中同華資產評估(上海)有限公司) to evaluate the value of the above-mentioned Tianjin logistics center project using the cost method. Based on the evaluation results of the third-party institution, during the reporting period, the Company made a provision for impairment of RMB1.910 million for the abovementioned construction in progress.

III. IMPACT OF THE PROVISION FOR ASSET IMPAIRMENT ON THE COMPANY

For the year ended 31 December 2023, the Company made an aggregate provision for asset impairment of approximately RMB66.803 million. After combining the impact of factors such as reversal, the corresponding recognized asset impairment loss of RMB20.807 million and recognized credit impairment losses of RMB14.358 million for the year ended 31 December 2023 are included in the profit and loss account for the year ended 31 December 2023.

IV. STATEMENT OF THE AUDIT COMMITTEE OF BOARD OF DIRECTORS ON THE JUSTIFICATION OF THE PROVISION FOR ASSET IMPAIRMENT

The audit committee of the board of directors is of the view that the provision for assets impairment complies with and is in line with the “Accounting Standards for Business Enterprises” and the actual situation of the Company. After the provision for asset impairment, the financial position and operating results of the Company would be more fairly reflected, and the accounting information on the asset value of the Company would be more accurate, reliable and reasonable, and hence the audit committee of the board of directors agrees with the provision for asset impairment.

V. OPINION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive directors of the Company are of the view that the provision for assets impairment made by the Company is in line with the “Accounting Standards for Business Enterprises” and the relevant provisions of the Company’s accounting policies, and can give a fair view of the financial position and operating results of the Company without prejudicing the interests of the Company and its shareholders as a whole, in particular the interests of the minority shareholders of the Company. In respect of the provision, appropriate decision-making procedures have been performed and the relevant voting procedure is in compliance with the requirements of relevant laws and regulations and the articles of association of the Company.

VI. OPINION OF SUPERVISORY COMMITTEE

The supervisory committee of the Company is of the view that the provision for asset impairment is made in accordance with the “Accounting Standards for Business Enterprises” and related requirements, in line with the Company’s actual situation and can fairly reflect the financial position and operating results of the Company as at 31 December 2023; the decision-making procedures of the board of directors of the Company on such matters are in compliance with the laws and regulations. The supervisory committee therefore agrees with the provision for asset impairment of the Company.

VII. CONTINUED SUSPENSION OF TRADING

At the request of the Company, following the designation of the administrator of the Company, trading in the shares of the Company on The Stock Exchange of Hong Kong Limited has been suspended with effect from 9:00 a.m. on 7 February 2023, and will remain suspended until further notice. The Company will publish further announcement(s) to inform the shareholders and potential investors of any material developments in connection with the suspension of trading as and when appropriate.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

By Order of the Board
Xinjiang La Chapelle Fashion Co., Ltd.
Mr. Zhao Jinwen
Chairman

Shanghai, the People's Republic of China

29 April 2024

As of the date of this announcement, the executive directors of the Company are Mr. Zhao Jinwen, Ms. Zhang Ying and Mr. Zhu Fengwei, the non-executive director of the Company is Ms. Wang Yan, the independent non-executive directors of the Company are Mr. Xing Jiangze, Ms. Chow Yue Hwa Jade and Ms. Yang Linyan.

* *For identification purposes only*